

Food-Assistance Spending Held Steady in 1996

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USDA administers the Nation's major domestic food-assistance programs (see box on domestic food-assistance programs). These programs, which served an estimated 1 in 6 Americans in fiscal 1996, provide a nutritional safety net to people in need. Spending on these programs accounted for about 70 percent of USDA's total budget. Recent welfare legislation will have significant impacts on costs of and participation in food-assistance programs.

The goals of USDA's food-assistance programs are to provide needy people with access to a more nutritious diet, to improve the eating habits of the Nation's children, and to help America's farmers by providing an outlet to distribute foods purchased under commodity price-support and surplus-removal programs. All of USDA's food-assistance programs are administered by the Food and Consumer Service (FCS), which works in partnership with the States. States, using national guidelines, are responsible for determining whether people are

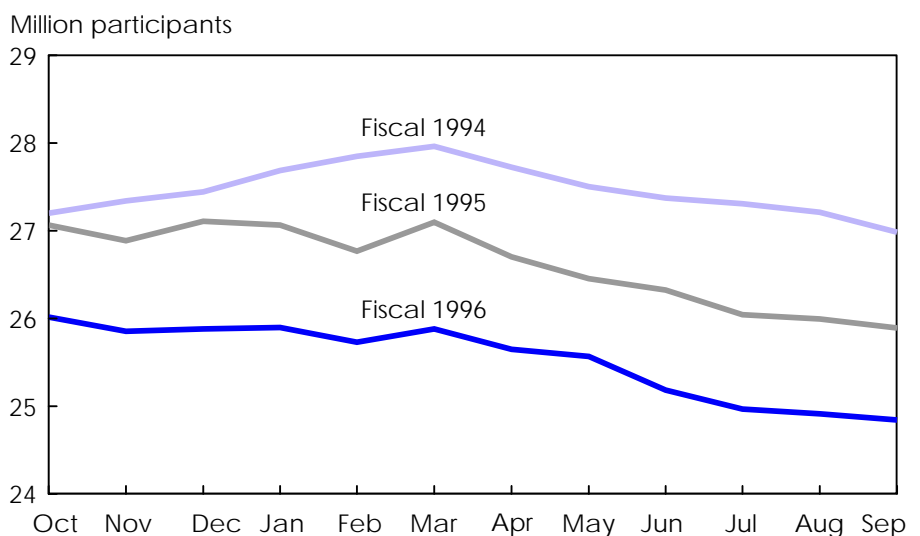
eligible to participate in the programs and for the delivery of services; FCS shares administrative costs with the States.

Federal outlays for USDA's food-assistance programs totaled \$38 billion in fiscal 1996 (table 1). (Outlays for the programs cited in this article refer to the cost to the Federal Government during fiscal years, which run October to September.) This was an increase of less than 1 percent from fiscal 1995, the smallest 1-year increase since 1982. However, the rate of change in expenditures among the individual food-assistance programs varied greatly.

Food Stamp Program Costs Declined Slightly

The *Food Stamp Program*, the single largest Federal food-assistance program with 64 percent of all USDA food-assistance expenditures, is the primary source of nutrition assistance for low-income Americans (certain legal immigrants may also qualify for food stamps). Expenditures for the Food Stamp Program totaled \$24.3 billion in fiscal 1996, a decrease of 1 percent from fiscal 1995. This decrease, the first since fiscal 1987, was the result of the continuing decline in program partici-

Figure 1
Food Stamp Participation Continued Its Decline in Fiscal 1996



Source: USDA, Food and Consumer Service.

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Table 1

Food-Assistance Program Outlays Held Steady in Fiscal 1996

Food-assistance program	1996 program costs	1995 program costs	Change in costs, 1995-96
	<i>Million dollars</i>	<i>Million dollars</i>	<i>Percent</i>
Food-stamp-related programs ¹	25,480.1	25,755.2	-1.1
Food Stamp Program	24,332.0	24,621.0	-1.2
Nutrition Assistance Programs	1,148.1	1,134.2	1.2
Child nutrition programs ²	8,368.9	8,039.1	4.1
National School Lunch	5,340.7	5,160.5	3.5
School Breakfast	1,118.5	1,048.3	6.7
Child and Adult Care ¹	1,533.1	1,463.9	4.7
Summer Food Service ¹	249.2	237.0	5.1
Special Milk	16.7	17.0	-1.8
Supplemental food programs	3,785.5	3,529.6	7.3
WIC ¹	3,686.2	3,430.6	7.5
CSFP ¹	99.3	99.1	.2
Food donation programs	307.6	417.3	-26.3
Food Distribution on Indian Reservations ¹	70.1	65.0	7.8
Nutrition Program for the Elderly	145.6	151.3	-3.8
Disaster Feeding	0.7	2.3	-69.6
TEFAP	44.9	89.1	-49.6
Charitable Institutions and Summer Camps	11.0	64.0	-82.8
Soup Kitchens and Food Banks	35.3	45.6	-22.6
All programs ³	38,047.6	37,847.5	.5

Notes: ¹Includes administrative costs. ²Total includes the Federal share of State Administrative costs, which were \$110.6 million in fiscal 1996 and \$112.4 million in fiscal 1995. ³Total includes Federal administrative expenses of \$105.5 million in fiscal 1996 and \$106.4 million in fiscal 1995. Source: USDA, Food and Consumer Service.

pation. An average of 25.5 million people per month, or about 1 in every 10 Americans, received food stamps in fiscal 1996. This was down more than 1 million people from fiscal 1995, which in turn was 0.8 million people less than in fiscal 1994 when food stamp participation peaked (fig. 1). The decline in participation is attributed to the improvement in the Nation's economy. The Food Stamp Program provided an average \$73.26 worth of food per month to each participant in fiscal 1996, up from \$71.27 in fiscal 1995.

In lieu of the Food Stamp Program, Puerto Rico and the Commonwealth of the Northern Marianas Islands receive grant

funds which allow them to operate programs designed specifically for their low-income residents. USDA funding for the *Nutrition Assistance Programs* in Puerto Rico and the Northern Marianas totaled \$1.1 billion in fiscal 1996, a 1-percent increase from the previous year.

Outlays for Child Nutrition Programs Grew 4 Percent

The Child Nutrition Programs, designed to subsidize meals served to children in schools and a variety of other institutions, consists of five programs: the National School Lunch, School Breakfast, Child and Adult Care, Summer Food Service,

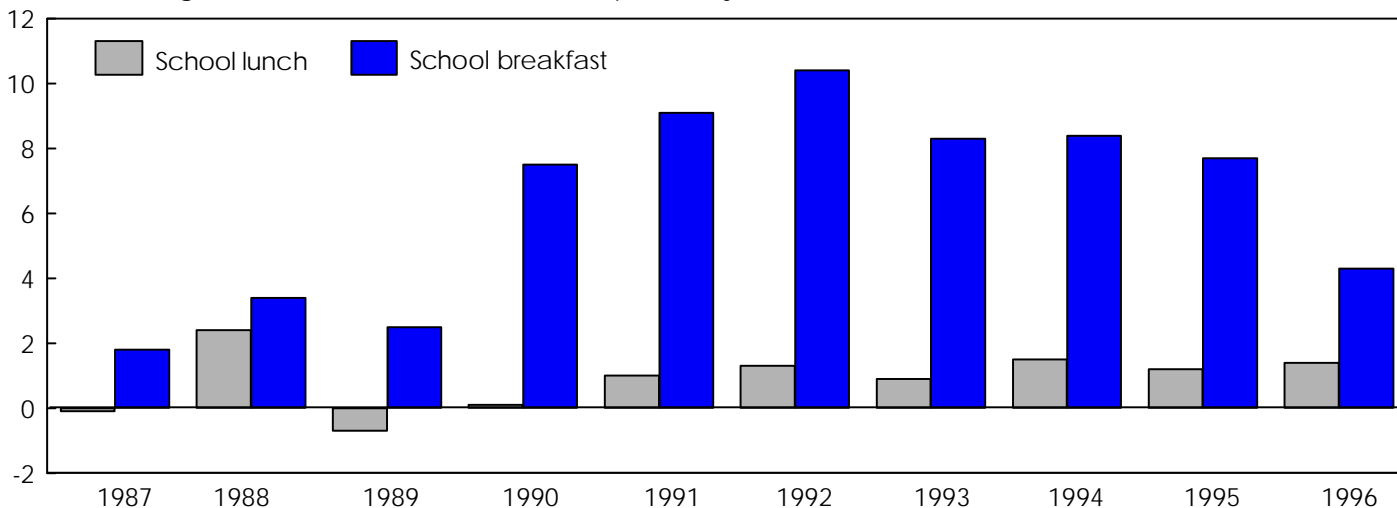
and Special Milk Programs. Combined outlays for these programs increased 4 percent to \$8.4 billion in fiscal 1996.

The National School Lunch Program—The second-largest food-assistance program behind food stamps, the National School Lunch Program had outlays of \$5.3 billion in fiscal 1996, or an increase of almost 4 percent over fiscal 1995. The program served a total of 4.3 billion lunches in fiscal 1996, an increase of 1 percent from the previous year. This is a continuation of the trend toward relatively modest annual increases in participation over the past decade (fig. 2). Since the program, which is available in

Figure 2

Rate of Growth in the School Breakfast Program Higher Than the School Lunch Program

Percent change in number of meals served from previous year



Source: USDA, Food and Consumer Service.

99 percent of all public schools and 83 percent of all schools public or private, is so widespread, there is limited opportunity for new outlets. Each school day, about 26 million children, representing about 58 percent of all children in the nearly 94,000 participating schools and residential childcare institutions, participated in the program. About 49 percent of these children received a free lunch, while another 8 percent received a reduced-price lunch (see box on domestic-food assistance programs for information on who is eligible for free and reduced-price meals).

The School Breakfast Program—Outlays for the School Breakfast Program rose almost 7 percent in fiscal 1996 to \$1.1 billion. The number of meals served under the program totaled 1.1 billion in fiscal 1996, an increase of 4 percent over fiscal 1995. About 80 percent of all school breakfasts were served free, and another 6 percent were served at reduced prices in fiscal 1996. The program's expansion in recent years has been attributed to USDA's efforts to encourage schools that

participate in the School Lunch Program to also participate in the School Breakfast Program (fig. 2). Some 20 percent of the students in the over 67,000 participating schools and residential childcare institutions participated in the program in fiscal 1996.

The Child and Adult Care Food Program—This program served 1.5 million meals in fiscal 1996, a 2 percent increase over the previous year. Expenditures totaled \$1.5 billion in fiscal 1996, an increase of 5 percent over fiscal 1995. The childcare portion of the program, which provides meals and snacks to children in non-profit childcare centers and family and group daycare homes, accounted for over 98 percent of total program costs in fiscal 1996, while the adult care portion of the program, which provides meals to the elderly and functionally impaired adults in adult daycare settings, accounted for the remaining 2 percent.

The Summer Food Service Program—Over 125 million meals or snacks were served to children during school vacations under this program in fiscal 1996, or 4 percent more than

the previous year. During the peak month of July, an average of 2.2 million children in 28,000 sites participated each day. Program costs totaled \$249 million in fiscal 1996, up 5 percent from fiscal 1995. Part of this increase was the result of the Healthy Meals for Healthy Americans Act of 1994 (initiated in fiscal 1995), which authorized startup and expansion grants for the Summer Food Service Program.

The Special Milk Program—The smallest of the child nutrition programs, the Special Milk Program accounted for less than 1 percent of this group's total expenditures in fiscal 1996. In fiscal 1996, 144 million half-pints of milk were served under this program, about 6 percent of which were served free. Program costs totaled \$16.7 million, a 2-percent decrease from the previous year. This was the fifth straight year program costs decreased, due primarily to a drop in program participation as a result of the expansion of the National School Lunch and School Breakfast Programs, which include milk with the meals.

WIC's Expansion Continues

Over the past decade, the *Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)* has been among the fastest growing food-assistance programs in terms of number of program participants. Increases in appropriated funds and

cost-containment measures such as infant formula rebates have allowed WIC to serve more eligible people. In fiscal 1996, the number of participants increased 4 percent up to an average 7.2 million people per month (fig. 3). Participants, of whom over three-quarters were infants or children, received an average of \$31.19 per month in food benefits.

WIC program costs totaled \$3.7 billion in fiscal 1996, almost 8 percent greater than the previous year.

The much smaller *Commodity Supplemental Food Program* also provides supplemental foods to low-income women, infants, and children, although it now serves the elderly as well (they comprised over 60 percent of all participants). In fis-

Domestic Food-Assistance Programs

The Federal Government administers a variety of programs of different sizes and for different target populations. Together, these programs form a network of food- and nutrition-assistance programs that helps ensure that everybody, regardless of income, has access to an adequate and nutritious diet.

The **Food Stamp Program** is the largest Federal food-assistance program. Unlike the other food-assistance programs that target specific groups, the Food Stamp Program is designed to address the basic nutritional needs of all eligible low-income families or individuals. Eligibility and benefits are based on household size, household assets, and gross and net income. Most participants receive monthly allotments of coupons that are redeemable for food at nearly 200,000 authorized retail foodstores. However, a growing number of participants receive an Electronic Benefits Transfer (EBT) card, which operates like a bank card. The amount of a household's monthly food stamp allotment is based on USDA's Thrifty Food Plan (TFP), a market basket of suggested amounts of foods that make up a nutritious diet and can be purchased at a relatively low cost. Menus and recipes are used by nutrition educators to translate the cost and foods in the plan to a low-cost, nutritious diet.

The Food Stamp Program in Puerto Rico was replaced in 1982 by the **Nutrition Assistance Program**. In the same year, the Nutrition

Assistance Program for the Northern Marianas was started. These modified food stamp programs receive Federal funds through block grants, which allow these areas to operate programs designed specifically for their low-income residents. Puerto Rico provides cash benefits to eligible households, while the Commonwealth of the Northern Mariana Islands provides assistance in the form of coupons.

The **National School Lunch Program** provides lunch to children in public and nonprofit private schools and residential childcare institutions. Schools receive cash and some commodities from USDA to offset the cost of foodservice. In return, the schools must serve lunches that meet Federal nutritional requirements and offer free or reduced-price lunches to needy children. Any child at a participating school may enroll in the program. Children from families with incomes at or below 130 percent of the poverty level are eligible for free meals, and those from families between 130 and 185 percent of the poverty level are eligible for reduced-price meals.

The **School Breakfast Program** provides breakfast to school children, with students from low-income families receiving free or reduced-price meals. Although eligibility is the same as that for the National School Lunch Program, the School Breakfast Program is considerably smaller and serves a greater percentage of free meals.

The **Child and Adult Care Food Program** provides healthy meals and snacks to children in nonprofit childcare centers and family and group daycare homes. In centers, children from low-income families are eligible for free or reduced-price meals based on the same eligibility guidelines used in the School Lunch and School Breakfast Programs. In family daycare homes (FDCH), children may receive free meals if the FDCH provider is low-income (below 185 percent of poverty) or is in a low-income area. This is known as tier I. If a FDCH is not a tier I, the provider may collect applications to determine whether a child is eligible for free meals. An adult care portion of the program provides meals to the elderly and functionally impaired adults.

The **Summer Food Service Program** provides free meals to children (age 18 and under) and handicapped people over 18 years of age during school vacations in areas where at least half of the children are from households with incomes at or below 185 percent of the Federal poverty guidelines. There is no income test for eligibility in these low-income areas; any child in the program's operating area may participate. Sites not in low-income areas may participate if at least half of the children are from families with incomes at or below 185 percent of the Federal poverty guidelines (based on income applications collected from program participants). All children at these sites may

cal 1996, an average of about 357,000 people participated in the program each month, about 2 percent less than in the previous year. The number of women, infants, and children in the program dropped 16 percent in fiscal 1996, while the number of elderly participants increased almost 10 percent. Outlays for the program totaled \$99 million in fiscal 1996,

about the same as in the previous year.

Most Food Donation Programs Continued To Shrink

Food Donation Programs consists of six separate programs: Food

Distribution on Indian Reservations, Nutrition for the Elderly, Disaster Feeding, Emergency Food Assistance, Food Distribution for Charitable Institutions and Summer Camps, and Food Donation to Soup Kitchens and Food Banks.

Over the past decade, this group of programs has contracted significantly, due largely to the reductions

receive free meals. The program is operated at the local level by sponsors who are reimbursed by USDA.

The **Special Milk Program** provides funding for milk in public and nonprofit schools, childcare centers, summer camps, and similar institutions that have no other federally assisted food program. Milk is provided either free or at low cost to all children at participating schools. Schools may elect to serve free milk to children from families with incomes at or below 130 percent of the poverty level.

The **Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)** provides nutritious supplemental foods, nutrition education, and health care referrals at no cost to low-income pregnant and postpartum women, as well as infants and children up to their fifth birthday who are determined by health professionals to be nutritionally at risk. Participants receive nutrition education, health-care referrals, and vouchers that can be redeemed at retail foodstores for specific foods that are rich in the nutrients typically lacking in the target population.

The **Commodity Supplemental Food Program (CSFP)** provides nutritious supplemental foods at no cost to low-income pregnant and postpartum women, and infants and children up to their sixth birthday. CSFP serves individuals not served by WIC. Unlike the much larger WIC program, CSFP also serves the elderly (60 years of age or over). The

program provides food (instead of vouchers) tailored to the nutritional needs of the participants.

The **Food Distribution Program on Indian Reservations** provides commodities to American Indians living on or near participating reservations who choose not to participate in the Food Stamp Program. It provides an alternative to the Food Stamp Program for many American Indians who live far from foodstores. Participants receive a monthly food package weighing about 50 to 75 pounds that contains a variety of foods selected to meet their health needs and preferences. Eligibility is based on household income, resources, and proximity to a reservation.

The **Nutrition Program for the Elderly** provides cash and commodities to States for meals for senior citizens. Administered by the U.S. Department of Health and Human Services, the program receives commodity foods and financial support from USDA. Food is served through meals-on-wheels programs or in senior citizen centers and similar settings. There is no income test for eligibility; all people age 60 or older and their spouses are eligible for the program.

The **Disaster Feeding Program** is administered by the Federal Emergency Management Agency (FEMA), which is responsible for coordinating disaster relief. Under this program, USDA provides food commodities for assistance in major

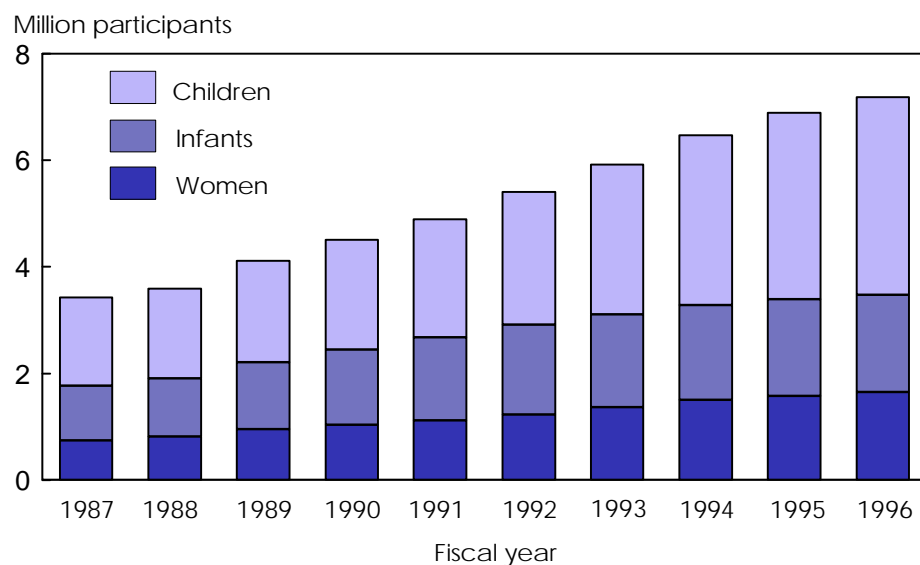
disasters or emergencies when other food supplies are not readily available.

The **Emergency Food Assistance Program (TEFAP)**, which began as a cheese-giveaway program in 1982, was implemented as a way to reduce inventories and storage costs of surplus commodities through distribution to needy households. In 1989, Congress appropriated funds to purchase additional commodities specifically for this program. USDA buys the food, processes and packages it, and ships it to the States. Within broad guidelines, each State sets its own eligibility criteria and selects local emergency feeding organizations to distribute the food.

Under the **Food Distribution Programs for Charitable Institutions and Summer Camps**, USDA donates food to nonprofit charitable institutions serving meals on a regular basis to needy persons and to summer camps for children. These institutions include church-operated community kitchens for the homeless, orphanages, soup kitchens, temporary shelters, and homes for the elderly.

USDA purchases food specifically to distribute to soup kitchens and food banks under the **Food Donation Programs to Soup Kitchens and Food Banks**. Commodities are allocated to the States based on a formula that considers the number of people below the poverty level and the number unemployed in each State. Priority is given to institutions that prepare food for the homeless.

Figure 3
WIC Participation Has Doubled Since Fiscal 1987



Source: USDA, Food and Consumer Service.

in stocks of surplus foods which USDA acquires through its price stabilization and surplus-removal activities in support of farmers, and which it distributes to a variety of institutions serving the needy. Modifications in the price stabilization and surplus-removal programs and changing market conditions have resulted in less surplus food being available for distribution through these programs. This trend continued in fiscal 1996, as total outlays for food donation programs fell 26 percent from fiscal 1995.

Food Distribution Program on Indian Reservations—An average of 120,000 American Indians participated in this program per month in fiscal 1996. This was a 3-percent increase over the number of participants in the previous year. Cost of the program totaled \$70.1 million in fiscal 1996, an 8-percent increase from the previous year. This was the largest increase among all the food-assistance programs and the only increase among the food donation programs.

Nutrition Program for the Elderly—Although the Nutrition Program for the Elderly is administered by the

U.S. Department of Health and Human Services, it receives commodity foods and financial support from USDA. About 246 million meals were served under this program in fiscal 1996, down 2 percent from the previous year. USDA program costs under this program totaled \$146 million, a 4-percent decrease from the previous year.

Disaster Feeding Program—Expenditures for this program totaled \$0.7 million in fiscal 1996, most of which went to victims of hurricanes Fran and Marilyn and the floods in the Pacific Northwest. This was a decrease of 70 percent from fiscal 1995, when most disaster-related food assistance was provided to victims of flooding in southeastern Texas and California.

The Emergency Food Assistance Program (TEFAP)—Outlays for this program totaled \$44.9 million in fiscal 1996, about a 50-percent decrease from the previous year.

Food Distribution Programs for Charitable Institutions and Summer Camps—Expenditures on these programs totaled \$11 million in fiscal 1996, an 83-percent decrease from the previous year, the largest

decrease among all the food-assistance programs.

Food Donation Programs to Soup Kitchens and Food Banks—Program expenditures totaled \$35 million in fiscal 1996, a drop of 23 percent from fiscal 1995.

Fiscal 1997 Outlays Uncertain Under Welfare Reform

After adjusting for price inflation, Federal outlays for food-assistance have been relatively stable in recent years (see box on food-assistance program outlays in real dollars). However, that trend could change dramatically over the next few years. In August 1996, President Clinton signed into law the Personal Responsibility and Work Opportunity Reconciliation Act of 1996, which made major changes to several of USDA's food-assistance programs, most of which will not be felt until fiscal 1997. The Act's biggest changes are to the Food Stamp Program. However, other food-assistance programs will be affected as well.

- Major changes to the Food Stamp Program include the denial of food stamp benefits to most legal immigrants, the requirement for able-bodied adults to meet new work requirements to receive food stamps, and across-the-board cuts in food stamp benefits. (For more information on the impact of the new welfare reform legislation on the Food Stamp Program see "Cost of Food-Assistance Programs Declined Slightly in First Half of 1996" in the September-December 1996 issue of *FoodReview*.)
- The Act combined several entitlement programs, including Aid to Families with Dependent Children (AFDC), into the Temporary Assistance for Needy Families (TANF) block grant welfare program. States now have the option

to operate a simplified Food Stamp Program for households in which all members participate in TANF. Under the simplified program, States may determine food stamp benefits using TANF rules (which may be more restrictive than Food Stamp Program rules), regular food stamp rules, or a combination of the two. The Act requires that the State's simplified

programs may not increase Federal food stamp costs.

- The Act eliminates startup and expansion grants that were used for initiating and expanding the School Breakfast and Summer Food Service Programs.
- The Act reduces the reimbursement that sponsors of the Summer Food Service Program

receive from USDA for serving meals.

- The Act reduces the reimbursement given to some family day-care homes for providing meals in the Child and Adult Care Food Program.
- States now have the option to provide or deny undocumented aliens benefits from the WIC Program, Summer Food Service

Food-Assistance Program Outlays in Real Dollars Decline

Because of inflation (or general price changes over time), outlays for food-assistance programs in nominal (or unadjusted) terms are not totally comparable for different years. That is, a dollar in 1996 was worth less than a dollar in 1970. The change in prices from one year to the next are usually small. For example, average nominal prices increased by only 3 percent between 1995 and 1996. Therefore, comparing food assistance outlays not adjusted for inflation from one year to the next should not affect general conclusions. However, these small annual differences accumulate and can become significant over longer periods. For example, between 1970 and 1996, unadjusted average prices rose by over 300 percent.

The outlays reported in the main body of the text are not adjusted for inflation. In this section, we used the Consumer Price Index, the most widely accepted measure of inflation or changes in prices, to see how the programs have grown over time after adjusting for price changes.

In 1996 dollars, outlays for USDA's food-assistance programs were almost 5 times greater in fiscal 1996 than in 1970 (see accompanying chart). Most of this increase was due to the growth of the Food Stamp Program. Since achieving nationwide coverage in 1974, program expansion has generally reflected economic conditions, with participation peaking during periods of high unemployment and

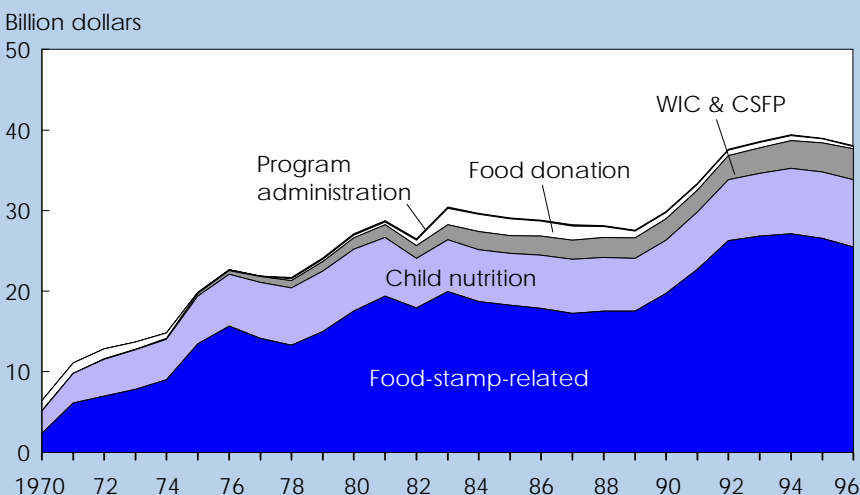
recession. For example, during the recessionary period of 1989-92, real (or inflation-adjusted) outlays for the Food Stamp Program grew an average of 14 percent per year.

The supplemental food programs also experienced dramatic growth in inflation-adjusted outlays since 1970. This was largely due to WIC program participation, which has increased steadily since it began as a pilot program in 1972. After expanding in the early 1970's, outlays for the child nutrition programs in real terms leveled off during the 1980's. Unlike the other major food-assistance program groups, real outlays for the Food Donation pro-

grams decreased during the late 1980's. Much of this contraction was due to the reduction of surplus commodities available for these programs.

Since fiscal 1992, total outlays for food-assistance in real dollars has leveled off. In fact, since peaking in fiscal 1994, real outlays for food-assistance decreased in both fiscal 1995 and 1996. Most of this decrease was due to the Food Stamp Program, as less people received food stamps as the Nation's economy improved. However, the child nutrition and supplemental food programs continued to grow in real terms during this period.

Real Outlays for Food-Assistance Programs, Fiscal 1970-96



Note: Data are in 1996 dollars. Source: USDA, Food and Consumer Service.

Program, Child and Adult Care Food Program, Special Milk Program, Commodity Supplemental Food Program, TEFAP, and the Food Distribution Program on Indian Reservations.

- The new law combines TEFAP and the Soup Kitchen/Food Bank Programs into a single program, and requires that \$100 million per year through fiscal 2002 be spent for purchasing commodities for the program.

The net effect of these changes will be a reduction in Federal spending for food assistance. Estimates from the Congressional Budget Office project that the Act will lower spending in the Food Stamp Program, child nutrition programs, and the food donation programs by about \$30 billion over the 1997-2002 period. However, precise estimates are speculative, since there is still much uncertainty about how States will use their new found flexibility and how strict the Federal

Government will be in enforcing work requirements in locations with high unemployment. Many States are still working to develop plans for implementing their Simplified Food Stamp Program.

In addition, the Food Stamp Program will be indirectly affected by the Act's changes to other welfare programs. Since food stamp benefits generally rise as a household's income falls, a reduction in cash assistance may increase food stamp benefits for eligible households. Therefore, much of the Federal budgetary savings from the new legislation will depend on whether welfare recipients can obtain jobs that make them self-sufficient.

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